Money By Fiat

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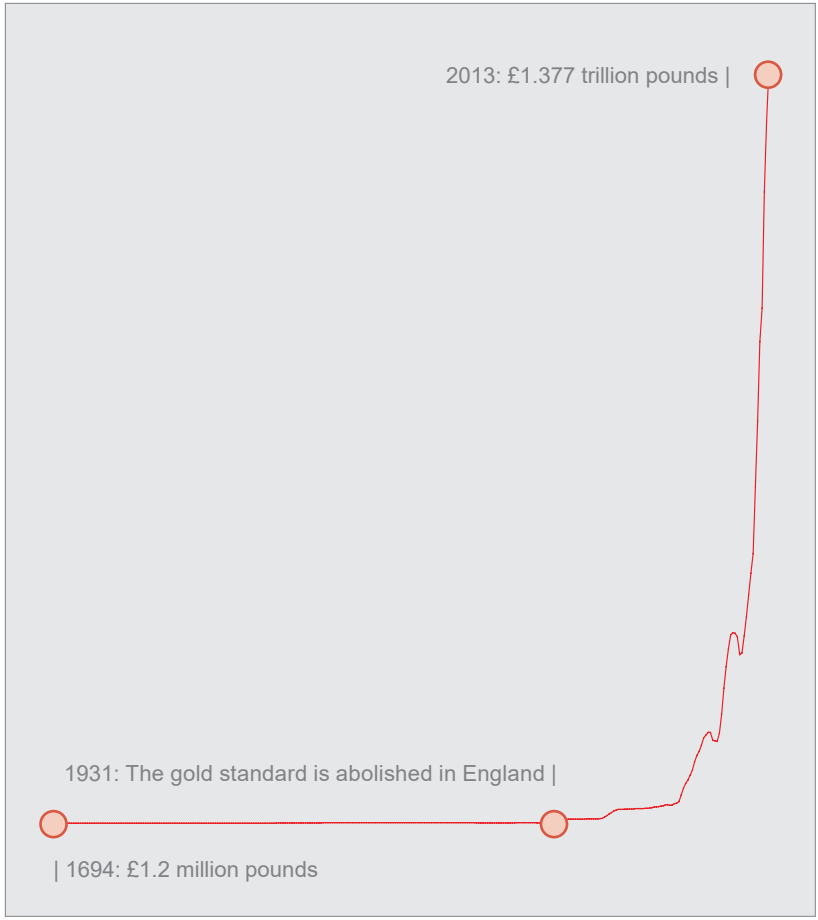
A bill *to* the treasury of the British Government at 8.875% interest.



a 1,147,500% increase in British Government debt over 319 years

The Bank of England

Defeated in naval engagements against France at the battle of Beachy Head in 1690, and in arrears due to the ongoing financial cost of defending England's shores from the nine years war (1688 to 1697), and the number of British naval ships destroyed in this particular encounter (Beachy Head); led to the British Government seeking a loan of £1.2 million pounds of gold, at the rate of repaying £100,000 pounds in interest per annum, for the purpose of building a far more powerful navy, at a time when its financial resources stood in disarray.

Followed shortly thereafter by the Government of England's draft of the bill that is now informally known as the 'Tunnage Act' (the Bank of England Act 1694):

> *['An act for granting to their Majesties several Rates and Duties upon Tunnage of Ships and Vessels and upon Beer Ale and other Liquors...';]*

– Bank of England Act 1694[1]

which under the same act allowed for the creation of £1.2 million pounds in British Government bonds in exchange for subscriptions, with incorporation to:

"...all and every such Subscribers and Contributors theire Heires Successors or Assignes to be one Body Corporate and Politick, by the name of The Governor and Company of the Bank of England;"

– Bank of England Act 1694[2]

Was adjoined in due haste by the purchase of £1.2 million in Bank of England shares from Mercers chapel within twelve days of invitation, by 1,268 subscribers in return for incorporation as The Governor and Company of the Bank of England (and £1.2 million pounds worth of British Government debt as collateral for share subscription), with tunnage to be charged to merchant traders upon arrival at port.

Out of the 1,268 people who purchased ownership of the Bank of England's first share issue, eight people purchased the maximum amount permissible of £10,000 of Bank of England stock each, with John Houblon a Royal Commissioner to the British Navy, and King William III and Queen Mary II amongst these eight subscribers.[3]

Granted passage into law by royal charter on 27 July 1694 (the Bank of England), as an incorporated loan with remuneration for perpetuity, as dividends on shares on any publicly listed corporation, have no date of expiration (1694 to 1706 at £100,000 pounds of interest per annum equals £1.2 million pounds in interest).

From 1694 to 1697 the Bank of England was governed by John Houblon, who served as the Lord Mayor of the City of London Corporation in 1695, with the City of London Corporation retaining its position as the municipal authority, that is responsible for governing the area that encompasses London's central financial district (the square mile) as of the time of writing.

3 The Bank Of England. Index to the Book of Subscriptions 1694. London. 1-41. http://www.bankofengland.co.uk/archive/Documents/archivedocs/originalsubs/Typed_transcript_original_subscribers_1694.pdf

Joined by Charles Montague the then secretary of the British Treasury (John Houblon), and Robert Harley, a then Minister of Parliament; Robert Clayton President of the Honourable Artillery Company, and Gilbert Heathcoate a prominent buyer of government treasuries, as shareholding directors of the Bank of England; with a pre-requisite of holding £4,000, £3,000 pounds or £2,000 pounds worth of Bank of England stock required respectively, to stand for the position of Governor or as deputy Governor, or as a director of the Bank of England's court (of directors).

Able to offer the Bank of England's ownership of British Government debt, as collateral to private banks under its terms of charter:

> *"The said Corporation shall not borrow above £1,200,000, except upon Parliament Funds."*
>
> *– The Statutes of the Realm, 488. Vol: 7.*[4]

in exchange for term deposits held by the general public with private banks who are members of the country's central bank. Allowed (allows) for the Bank of England to purchase a further £1,200,000 of new British Government treasuries (new British Government debt) and allowed (allows) for private banks that are member banks of England's central bank, to pay interest on term deposits by accepting British Government bonds as collateral in return for loaning term deposits to the Bank of England.

Removing the inconvenience imposed on the country's politicians in consulting with more than one financier to raise additional monies for the government to spend (the creation of a central bank), and

with Bank of England notes backed by the security of being overseen by royalty and highly esteemed entrepreneurs (John Houblon and Gilbert Heathcoate for example).

Left few people in doubt towards the use of notes, printed by this incorporation or towards safekeeping coin with the Bank of England for a fee, or towards making term deposits with this newly created entity.

By November 10th, 1696, the Bank of England had issued of £764,196 in running notes, for which there were only £35,664 pounds of gold to back (running notes are receipts for demand deposits of coin held with a bank not term deposits of coin held with a bank).[5] In 1697 new legislation was passed into law by the British Government, for the purpose:

> *"...of making good the Deficiencies of several funds therein mentioned and for enlarging the capital stock of the Bank of England and for raising the Publick Creditt";*
>
> *– the British Government* [6]

Which allowed for the sale of additional Bank of England stock (enlarging the capital stock of the Bank of England) which in turn gave (gives) the British Government's lender of last resort, the Bank of England the opportunity to purchase more British Government treasuries; with the amount of tax payable to the Government of England raised by the same act (raising the Publick Creditt). Under the same act, all investments in the Bank of England were exempted from taxation,[7] with no member of the bank to be adjudged a bankrupt.[7] Under the same act again:

5 The Bank Of England. Bank of England Liabilities and Assets: 1696 Onwards, 1972, 159. Web: http://www.bankofengland.co.uk/archive/Documents/historicpubs/qb/1967/qb67q2159163.pdf

7 Ibid, XLVII

"...dureing the Continuance of the Corporation of the Governor and Company of the Bank of England no other Bank or any other Corporation Society Fellowshipp Company or Constitution in the nature of a Bank, shall be erected or established permitted suffered or countenanced, or allowed by Act of Parliament within this Kingdome..."

– The Statutes of the Realm, 488. Vol: 7[8].

In the same year (1697), the ability to redeem notes for coin was suspended in England, with the grant of the 'temporary' right to issue the country's banknotes exclusively unbacked by gold given to the Bank of England.

First renewed in charter in 1708, and again in 1713, 1742, 1764 and 1781 (the Bank of England), in 1797 the 'Bank Restriction Act' was passed into law four years after the Government of England's declaration of war against France, to protect the Bank of England's reserves from the ensuing increase in redemptions of notes for coin by domestic and foreign noteholders.
By 1814, enough bank notes had been loaned into circulation in England, to claim on £28.4 million pounds of gold for which there was only £2.2 million pounds worth of gold to back. In 1844, the Bank of England's charter was renewed again:

8 Ibid,

'...be it enacted, that on upon the thirty first day of August One thousand eight hundred and forty-four, there shall be transferred, appropriated, and set apart by the said Governor and Company to the Issue Department of the Bank of England Securities to the Value of Fourteen million Pounds, whereof the Debt due by the Public to the said Governor and Company shall be and be deemed a Part.'

– The Statutes of the Realm[9]

Eighty-four years later (1928), the Currency and Bank Notes Act was passed into law in England

"...with a view to the concentration of the gold reserves and to the securing of the economy in the use of gold;"

"...any person in the United Kingdom owning any gold coin or bullion to an amount exceeding ten thousand pounds in value shall, on being required so to do by notice in writing from the Bank, forthwith furnish to the Bank in writing particulars of the gold coin and bullion owned by that person, and shall, if so required by the Bank, sell to the Bank the whole or any part of the said coin or bullion."

– Currency and Banknotes Act 1928[10]

Three years later in England the gold standard was abolished:

The bank of England are hereby discharged from all liabilities in respect of anything done by the Bank in contravention of the said subsection (2), at any time after the eighteenth day of September, nineteen hundred and thirty one, and no proceedings whatsoever

shall be instituted against the Bank, or any other person in respect of anything so done as aforesaid.

- The Gold Standard (Amendment) Act, 1931[11]

Passed into law one year after the incorporation of the Bank for International Settlements, which was (is) incorporated under the Hague Agreements of 1930; on the 21st of March 1939 five days after the German army's invasion and occupation of Czechoslovakia, a request was received by the Bank of England from the Bank for International Settlements, to transfer approximately £5.6 million of gold from Bank for International Settlements no. 2 account (presumed by the Bank of England to be the Czech national bank), to the no. 17 of the Bank for International Settlements (presumed by the Bank of England to a German Reichsbank).[12]

"Between the 21st and 31st of March the gold received on the No.17 Account was disposed of, about £4 million going to the National Bank of Belgium and the Nederlandsche Bank and the remainder being sold in London."

– Bank of England[13]

In 1946, the Bank of England was nationalized:

"the Treasury shall issue to the person who immediately before the appointed day, is registered in the books of the Bank as the holder of any Bank stock, the equivalent amount of stock created by the

Treasury for the purpose (hereinafter referred to as the "Government stock)".

11 Great Britain, Parliamentary Papers, House of Commons, 1930-1931, 227, vol. 1, p. 763.

12 The Bank of England. 'IX.' In Unpublished War History (1939-45), 1293. Web: https://www.bankofengland.co.uk/-/media/boe/files/archive/ww/boe-1939-1945-partiii-chapterix

13 Ibid.

– Bank of England Act 1946[14]

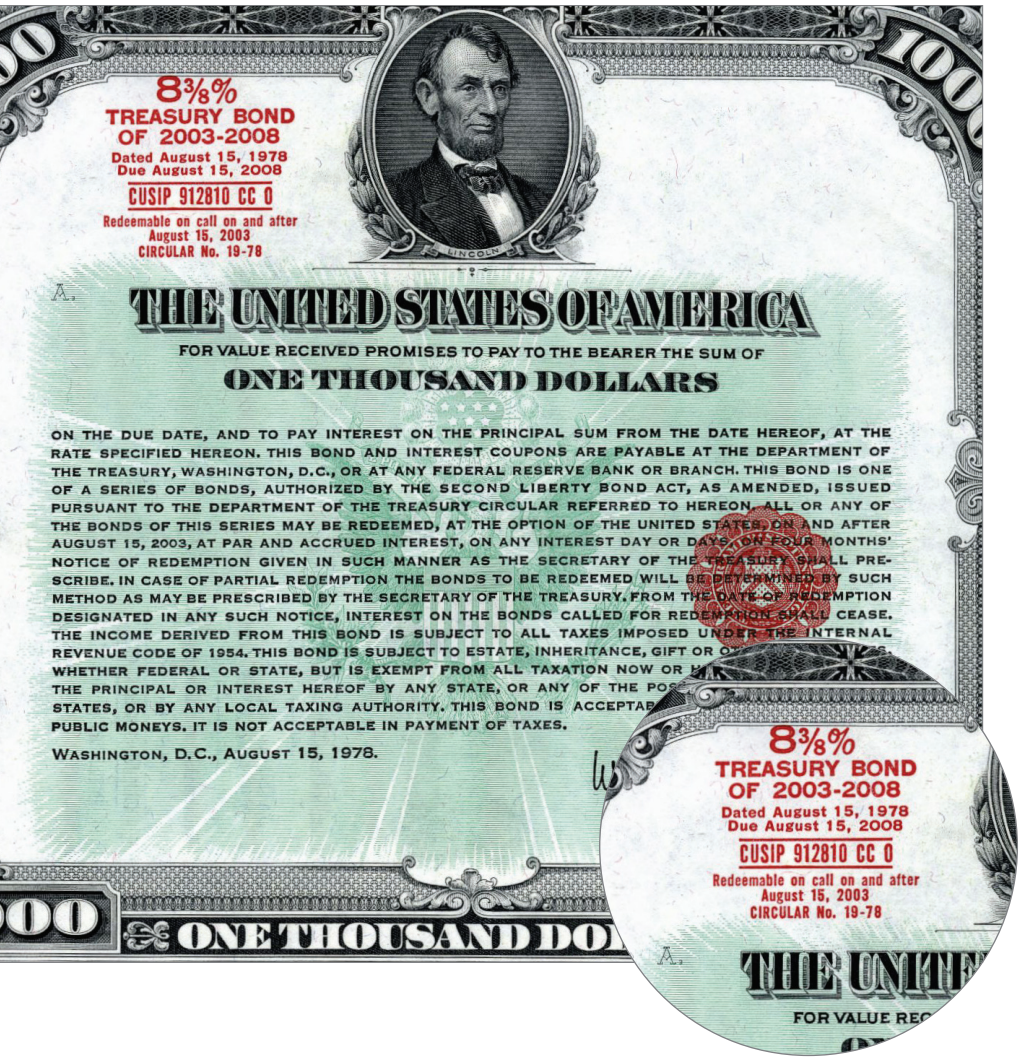
Allowing for all shareholders in the Bank of England to exchange their holdings of stock in the Bank of England, for the equivalent value in new British Government treasuries (Government stock) all banknotes issued by the country's central bank (the country's lender of last resort) are legal tender for all debts public and private.

14 Bank of England Act 1946, § 27-1. http://www.legislation.gov.uk/ukpga/Geo6/9-10/27/section/1

John Houblon – Governor
Michael Godfrey – Deputy governor
William Paterson
Abraham Houblon
John Smith
Henry Furnese
William Gore
Theodore Hansen
James Houblon
Gilbert Heathcoate
John Lordell
Thomas Abney
Thomas Goddard
John Lordell
James Denew
Thomas Goddard
John Ward
James Bateman
George Doddington
Edward Clerke
Samuel Lethullier
Oradiah Sedgwick
Nathaniel Tench
Brook Bridges
John Huband
Robert Raworth

'I think if you were to go back and try to find and review the ratification of the 16th amendment, which was the internal revenue, the income tax, I think if you went back and examined that carefully, you would find that a sufficient number of states never ratified that amendment.'

– U.S. District Court Judge James C. Fox[1]


8 3/8%
TREASURY BOND
OF 2003-2008
Dated August 15, 1978
Due August 15, 2008
CUSIP 912810 CC 0
Redeemable on call on and after
August 15, 2003
CIRCULAR No. 19-78
THE UNITED STATES OF AMERICA
FOR VALUE RECEIVED PROMISES TO PAY TO THE BEARER THE SUM OF
ONE THOUSAND DOLLARS
ON THE DUE DATE, AND TO PAY INTEREST ON THE PRINCIPAL SUM FROM THE DATE HEREOF, AT THE RATE SPECIFIED HEREON. THIS BOND AND INTEREST COUPONS ARE PAYABLE AT THE DEPARTMENT OF THE TREASURY, WASHINGTON, D.C., OR AT ANY FEDERAL RESERVE BANK OR BRANCH. THIS BOND IS ONE OF A SERIES OF BONDS, AUTHORIZED BY THE SECOND LIBERTY BOND ACT, AS AMENDED, ISSUED PURSUANT TO THE DEPARTMENT OF THE TREASURY CIRCULAR REFERRED TO HEREON. ALL OR ANY OF THE BONDS OF THIS SERIES MAY BE REDEEMED, AT THE OPTION OF THE UNITED STATES, ON AND AFTER AUGUST 15, 2003, AT PAR AND ACCRUED INTEREST, ON ANY INTEREST DAY OR DAYS ON FOUR MONTHS' NOTICE OF REDEMPTION GIVEN IN SUCH MANNER AS THE SECRETARY OF THE TREASURY SHALL PRESCRIBE. IN CASE OF PARTIAL REDEMPTION THE BONDS TO BE REDEEMED WILL BE DETERMINED BY SUCH METHOD AS MAY BE PRESCRIBED BY THE SECRETARY OF THE TREASURY. FROM THE DATE OF REDEMPTION DESIGNATED IN ANY SUCH NOTICE, INTEREST ON THE BONDS CALLED FOR REDEMPTION SHALL CEASE. THE INCOME DERIVED FROM THIS BOND IS SUBJECT TO ALL TAXES IMPOSED UNDER THE INTERNAL REVENUE CODE OF 1954. THIS BOND IS SUBJECT TO ESTATE, INHERITANCE, GIFT OR
WHETHER FEDERAL OR STATE, BUT IS EXEMPT FROM ALL TAXATION NOW OR
THE PRINCIPAL OR INTEREST HEREOF BY ANY STATE, OR ANY OF THE POS
STATES, OR BY ANY LOCAL TAXING AUTHORITY. THIS BOND IS ACCEPTAB
PUBLIC MONEYS. IT IS NOT ACCEPTABLE IN PAYMENT OF TAXES.
WASHINGTON, D.C., AUGUST 15, 1978.
ONE THOUSAND DO
8 3/8%
TREASURY BOND
OF 2003-2008
Dated August 15, 1978
Due August 15, 2008
CUSIP 912810 CC 0
Redeemable on call on and after
August 15, 2003
CIRCULAR No. 19-78
THE UNITE
FOR VALUE REC

Government Treasuries

As all Government bonds and Treasury bills are batch printed promissory notes (unless created electronically or by any other means), that offer to repay the depositor(s) the deposit required for their receipt plus returns over the specified term (Government stock...); any form of Government debt is created by its issuing government, to offer as collateral – in exchange for finance for that Government to spend.

Government treasuries are not loans granted by the country's Government, nor debts for the Government to receive. All Government debt is sold in denominations of the bank notes issued by the country's lender of last resort (the country's Government only goes there occasionally...).

All bank notes issued by the country's lender of last resort which is the country's central bank, that are used to monetize *these* debts – are then forwarded to the country's Government's reserve account. Government debt can not only **not** be repaid, it can only grow larger.

For only under the rules of double entry book keeping and zero as the fulcrum of balance, can one million dollars worth of capital, be simultaneously known as one million dollars worth of liabilities.

The Federal Reserve

The fourth central bank of the United States and signed by President Woodrow Wilson on the December 23rd, 1913 (the Federal Reserve Act):

> *['The shareholders of every Federal reserve bank shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such bank to the extent of the amount of their subscriptions to such stock at the par value thereof in addition to the amount subscribed, whether such subscriptions have been paid up in whole or in part, under the provisions of this Act;']*
>
> – Federal Reserve Act[1]

and joined in the year of its incorporation, by the 16th amendment to the United States Constitution (the supreme laws of the U.S.):

> *'The Congress shall have power to lay and collect taxes on incomes, from whatever source derived without apportionment among the several States, and without regard to any census or enumeration.'*
>
> – 16th Amendment[2]

In 1933, by executive order 6102 of 32nd President Franklin Roosevelt:

> *'All persons are required to deliver on or before May 1st 1933, all*

gold coin, gold bullion and gold certificates now owned by them to a Federal Reserve Bank, Branch or Agency, or to any member bank of the Federal Reserve System.'

– Executive Order 6102[3]

In 1968 the ability to redeem silver demand notes for their deposits of silver in the United States was removed, by legislation of the Congress, which is the legislative level of the U.S. Government (legislative; judicial; and presidential). On August 15th of 1971, the ability to redeem U.S. dollars for backing deposits of gold was removed. The closure of the gold window in the United States is informally known as the Nixon Shock.

With all banknotes issued by the Federal Reserve (the U.S. dollar), as of the time of writing, deemed as legal for all debts public and private within the United States.

['The said notes shall be the obligations of the United States and shall be receivable by all national and member banks and Federal reserve banks and for all taxes, customs, and other public dues.']

– Federal Reserve Act[4]

In breach of Article 1, Section 10, Clause 1 of the United States Constitution:

'No State shall enter into any Treaty, Alliance, or Confederation; grant Letters of Marque and Reprisal; coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts; pass any Bill of Attainder, ex post facto Law, or Law impairing the Obligation

3 Exec. Order No. 6102, 3 C.F.R. (1933).

4 'Federal Reserve Act.' Web: https://www.federalreserve.gov/aboutthefed/section16.htm.

of Contracts, or grant any Title of Nobility;'

– The United States Constitution[5]

The twelve Federal Reserve banks of the United States headed by the Federal Reserve Bank of New York comprise the Federal Reserve System, which is the central bank of the United States itself. "Regulating' the value of the U.S. dollar (the Federal Reserve), the national debt of the Federal government of the U.S., as of June 28th, 2013, stood at over $11 trillion U.S. in comparison to less than $3 billion U.S. as of January 7th, 1914.

With $11,901,000,000,000 U.S. in government debt amounting to 9,550,000 ounces of gold as of June 28th, 2013 (approximately 298,715 metric tonnes). Less than 175,000 metric tons of gold have been mined worldwide, as of 2014, since the beginning of civilization in the estimation of the World Gold Council.

5 U.S. Const. art. I, sec. 10, cl. 1.

The Reserve Bank of New Zealand

The Reserve Bank of New Zealand, is New Zealand's third central bank (the Colonial Bank of Issue and the Bank of New Zealand) and is a body corporate that is not a crown entity.[1] Incorporated in 1933 two years after the abolishment of the gold standard in England by the Reserve Bank of New Zealand Act 1933:

> *'The original capital of the Reserve Bank shall be five hundred thousand pounds, in shares of five pounds each, which shall be offered by the Minister of Finance at par for public subscription in New Zealand;*
>
> *And after the full amount of the capital of the Reserve Bank has been subscribed, the shareholders of the Reserve Bank shall become a body corporate, with perpetual succession and a common seal, and shall be capable of holding real and personal property, of suingand being sued, and of doing and suffering all such other acts and things as bodies corporate may lawfully do and suffer.'*
>
> – Reserve Bank of New Zealand Act 1933[2]

1 New Zealand. The Reserve Bank of New Zealand Act 1989. Web: http://www.legislation.govt.nz/act/public/1989/0157/latest/DLM199364.html?search=ts_act_reserve+bank_resel&p=1

Nationalized in 1936 by the Reserve Bank of New Zealand Amendment Act:

> *'On the commencement of this Act all shares in the capital of the Reserve Bank shall be deemed to be cancelled, and thereupon the several registered shareholders of the Bank, as on the thirty-first day of March, nineteen hundred and thirty-six, shall, in respect of the shares held by them on that date, be entitled, at their option, to receive for every such share either the sum of six pounds five shillings in cash or a like amount in New Zealand Government stock.'*
>
> – Reserve Bank of New Zealand Amendment Act 1936[3]

Granted the sole right to issue New Zealand's bank notes under the Reserve Bank of New Zealand Act 1964, the same act requires that the particulars of every stock holder in the Reserve Bank of New Zealand, including their name and address be recorded by the registrar—the same act further states that:

> *'Any infant of the age of 7 years or upwards may be registered as the holder of any stock and may transfer or do anything else in relation to the stock as effectually in all respects as if he were of full age.'*
>
> – Reserve Bank of New Zealand Act 1964[4]

On the 10th of July 1967, a total of $20 million New Zealand dollars in banknotes and coins was delivered to three hundred and eighty-four bank branches throughout New Zealand under the proceedings of the decimal currency act.[5] Prior to which banknotes issued by the Reserve Bank of New Zealand, were redeemable in pounds of silver at the Reserve Bank of New Zealand to the number of pounds stated on each Reserve Bank of New Zealand note.

5 Pollock, Kerryn. 'Coins and Banknotes - Decimal Currency, 1960s to 2000s.' Te Ara Encyclopedia of New Zealand. Web: http://www.teara.govt.nz/en/video/36398/operation-overlander.

Followed more than twenty years later by the renewal of the sole right to issue New Zealand's bank notes (the Reserve Bank Act of 1989) and selling the last of its gold reserves in 1991,[6] as of January 2016, the Reserve Bank of New Zealand estimates that the M3 money supply in New Zealand, was more than 270 billion New Zealand dollars.

Twenty million New Zealand dollars in banknotes and coins was delivered to three hundred and eighty-four bank branches throughout New Zealand under the proceedings of the decimal currency act (1967).[7]

Creating a self-perpetuating debt that cannot be repaid (the Reserve Bank of New Zealand), the purchasing power of New Zealand's decimal currency as of 2013 in the estimation of the Reserve Bank of New Zealand, is less than one tenth of what it was in comparison to its year of introduction (1967).[8]

6 Reserve Bank Museum. 'How Much Gold Does the Reserve Bank Have in Its Vaults?' Questions and Answers.

7 Reserve Bank of New Zealand. 'C1 Monetary Aggregates.'

8 Reserve Bank of New Zealand. 'Purchasing Power.' The PIE Kit: Teachers' Guide.

Legal tender: ‘Recognized by law as suitable for extinguishing the obligation of debt – public and private.’

Q: How much gold does the Reserve Bank have in its vaults?

A: None. Most of the gold reserves were divested in the 1960s. The last remaining gold was sold in 1991.

– The Reserve Bank of New Zealand Museum

The South Sea Company

Proposed by John Blunt and George Caswall, of the Hollow Sword Blade Bank, to the then Chancellor of the Exchequer Robert Harley (the exclusive right to conduct the state lottery in England had been granted to the Hollow Sword Blade Bank by Lord Treasurer Robert Harley earlier that year – 1710), and incorporated as a joint stock company in 1710 by royal charter with monopoly on trade to southern America (with annuities of six percent per annum – £568,279 10s per year from the Treasury of the British Government):

> *'An Act for making good Deficiencies, and satisfying the Public Debts; and for erecting a Corporation to carry on a Trade to the South Seas; and for the Encouragement of the Fishery; and for Liberty to trade in unwrought Iron with the Subjects of Spain; and to repeal the Acts for registering Seamen.'*
>
> – Great Britain[1]

The South Sea Company was created to entice the creditors of England's then national debt, to exchange their ownership of £9.47 million worth of British government bonds for shares in the South Sea Company; approximately 97% of this debt due to be repaid by the British government, was subscribed by its creditors for South

Sea shares by the end of 1711 (a debt / equity swap).[2]

Removing the British government's obligation to repay more than £9.0 million worth of its own liabilities, as all recipients of new stock in any new publicly listed company are required to sell on their shares to another purchaser at par to regain their original investment. In 1713, an agreement signed between the Spanish government and the government of England (the Treaties of Utrecht) ended the war between England and Southern America – the War of Spanish Succession began in 1701.

Amended in May 1716 by the *'Convention for Explaining the Articles of the Assiento,'* which allowed for the South Sea Company to sail one 500-tonne ship per year to trade at the fairs of Cartagana or Veracruz, and 150-tonne supply ships containing food,[3] as no annual ships had been sailed from England by the South Sea company to the southern seas prior.

In 1717 *'a bill to enable His Majesty to be Governor of the South Sea Company,'* was presented to the House of Lords in England on 1 February 1717 (and granted royal assent the following day by King George I).[4] The following year (1718) war was again declared between Spain and England, which resulted in the Spanish government's confiscation of all British assets located in southern America.

Valued at more than £100 per share as of 1 January 1720, and

2 Smant, Dave. 'South Sea Bubble.' Web: https://sites.google.com/site/davesmant/monetary-economics/famous-first-bubbles/south-sea-bubble.

3 'Convention for Explaining the Articles of the Assiento.' In A General Collection of Treatys of Peace and Commerce, Renunciations, Manifestos, and Other Publick Papers, edited by Samuel Whatley, 449-55. Vol. IV. London, 1732. Web: https://archive.org/stream/generalcollectio00lond#page/448/mode/2up.

4 Cobbett, William. 'The King's Message on Being Chosen Governor of the South Sea Company.' In Cobbett's Parliamentary History of England, 536. Vol. VII. London, 1811. Web: https://archive.org/stream/pp809777_0007#page/n303/mode/2up.

rising in price to nearly £200 per share by 1 March (1720),[5] amidst rumours spread throughout 'Exchange Alley' at this time that 'free trade agreements between England and Spain were said to be imminent.'[6] Meanwhile a bill to grant the South Sea Company permission to exchange:

> *'...thirty-seven million eight hundred and two thousand six hundred and eighteen Pounds fourteen Shillings, or thereabouts';*
>
> – Great Britain[7]

in British Government debt progressed through the House of Commons and was passed into law, in April 1720; to liquidate more than 39 million pounds of treasuries issued by the British Government, with the equivalent, in South Sea stock (a debt / equity swap).

Assisted by stock loans issued to members of the public, by the South Sea company's banker the Hollow Sword Blade bank, to buy South Sea Shares – which enabled the Hollow Sword Blade bank to take receipt of its loans as deposits, and use part of them to maintain enough reserves to cover withdrawals of deposits by its customers

Valued at nearly £900 per share at the end of July of 1720, and at under £200 as of November the same year – the collapse of the South Sea bubble *was* one of the largest stock market crashes, in stock market history.

5 Temin, Peter, and Hans-Joachim Voth. 'Riding the South Sea Bubble.' American Economic Review 94, no. 5 (2004): 1654-668. doi:10.1257/0002828043052268.

6 Mackay, Charles. Extraordinary Popular Delusions and the Madness of Crowds. New York: Harmony Books, 1980.

Mortgage Backed Securities

Debt / equity swaps. Mortgages are purchased for a fixed price by a securities underwriter (please see chapter ‘securities underwriting’), and are then limited to the price of floating by being floated upon a stock exchange.

Goldman Sachs

Founded in 1869 by Marcus Goldman, a former school teacher from Bavaria, Germany, purchases of promissory notes (contracts to repay) from wholesale jewelers on Maiden Lane and hide tanners along Beekman Street, Manhattan, New York, for immediate cash at an average discount of between eight and nine percent (from the amount due to be repaid by the merchant to whom the invoice had been issued).

By then on-selling the same debts to upstate banks in return for cash and commission of 1.5%, allowed for Marcus Goldman to act as a broker of existing debts (to upstate banks), and as a banker to merchants in the Lower Manhattan area seeking immediate cash.

Joined in the late 1800s by the registration of Goldman Sachs & Co., a limited liability partnership founded by Marcus Goldman and son-in-law, Samuel Sachs. In 1896 Harry Sachs, Samuel Sachs' brother, was accepted as a member of the New York Stock Exchange,[1] with access to the floor of the New York Stock Exchange allowing its members to trade their personal accounts or as a stock agent.

More than thirty years later on the 4th December 1928, the Goldman Sachs Trading Corporation was registered in the state of Delaware; shortly thereafter the entire share issue of the Goldman Sachs Trading Corporation was purchased for $100,000,000 at $100 per share by Goldman Sachs & co.

1 New York Stock Exchange News.' The Wall Street Journal 9 Nov. 1896: Print.

Adjoined by Goldman Sachs & co.'s detainment of 10% of the same stock issue (preference shares), 900,000 shares of Goldman Sachs Trading Corporation stock were then distributed to the open market at the price of $104 per share, for a total of $93,600,000.[2]

Reaching an asking price of $136.50 per share less than two months later, and $222.50 by 7 February of the same year (1929); on 21 February, the Goldman Sachs Trading Corporation completed its merger with the Financial and Industrial Securities Corporation. In July of the same year, the Goldman Sachs Trading Corporation joined the sponsorship of the Shenandoah corporation, by exchanging shares in Goldman Sachs Trading Corporation stock for shares in the Shenandoah corporation (a buy in).

In August, the Shenandoah Corporation sponsored the Blue Ridge Corporation, a company registered in the state of Delaware. Blue Ridge shortly thereafter offered shareholders in the American Telephone and Telegraph company the opportunity to exchange their shares for Blue Ridge stock at the rate of 1 to 4 70/715 and for stockholders in more than fifteen other publicly listed company's the opportunity to subscribe their shares for Blue Ridge stock also.[3]

Followed in October of 1929 by the collapse of the U.S. stock market, which in turn increased the number of people attempting to withdraw their demand deposits from their checking account. (A commercial bank is a bank that lends a percentage of its customers' demand deposits as well as its customers' term deposits.) The beginning of the great depression also escalated foreclosures of outstanding bank loans, in order to replace monies borrowed, from the bank accounts of *demand* depositor's.

2 The Acting Chairman of the Securities and Exchange Commission. Investment Trusts and Investment Companies. Washington: United States Government Printing Office, 1940. 6-7. Web: https://archive.org/stream/investmenttrusts312unit#page/6/mode/2up

3 Galbraith, John. "In Goldman, Sachs We Trust." (n.d.): 236. Web: https://loa-shared.s3.amazonaws.com/static/pdf/Galbraith_Goldman_Sachs.pdf.

Further accelerating the rate of deflation in the value of tangible assets throughout the U.S. economy, in 1930 Sidney Weinberg, who is referred to as having become a member of the New York Stock Exchange in 1925,[4] was promoted to the position of chairman of Goldman Sachs (1930 to 1969). Less than four years later (by the 26th of June 1933), Sidney Weinberg assisted the then U.S. Secretary of Commerce Daniel C. Roper in establishing the business advisory council for the U.S. Department of Commerce.

Serving as the assistant to the Head of the Clearing House of the Defense Industry Advisory Committees from 1941 to 1942 (Sidney Weinberg), after placed on leave from Goldman Sachs due to World War II. Sidney Weinberg was named as the Vice Chairman of the War Production Board in 1944 by President Franklin Roosevelt; and awarded the United States Medal of Merit in 1946 – by President Harry Truman, for his leadership in administrative roles within the Federal government of the United States.

Succeeded by Gus Levy as the chairman of Goldman Sachs in 1969, John L. Weinberg and John Whitehead, were promoted to the position of senior partners in Goldman Sachs in 1976. John Whitehead served as the United States deputy secretary of state from July 9th 1985 to the 20th of January of 1989 (after retiring from Goldman Sachs in 1984), and then as chairman of the Federal Reserve Bank of New York from the year of 1995 to the year of 2000.

Joined from 1995 to 1999 by Robert Rubin a senior partner of Goldman Sachs (from 1990 to 1992) as the United States Secretary of the Treasury, under 42nd U.S. president Bill Clinton. In 2006, following the recommendation of 43rd U.S. President George W. Bush, Henry Paulson, the CEO of Goldman Sachs from 1999 to 2005, was appointed to the position of Secretary of the U.S. Treasury.

4 Malcolm Gladwell. “The Uses of Adversity”, The New Yorker, November 10, 2008.

Stated under Section 8 of the *original* draft of the Emergency Economic Stabilization Act as directed by Henry Paulson, that:

> *'Decisions by the Secretary* pursuant to the authority of this Act are non-reviewable and committed to agency discretion, and may not be reviewed by any court of law or any administrative agency.' * 'Secretary' refers the Secretary of the Treasury.*
>
> *– New York Times*[5]

Henry Paulson was replaced by Tim Geithner the president of the Federal Reserve Bank of New York (from 2003 to 2009), as secretary of the U.S. treasury in 2009; after the creation of a credit-liquidity facility by the Federal Reserve of New York in 2008, from which the American International Group could draw up to $85 billion in exchange for giving the Federal Reserve a 79.9 percent equity stake in the issued and outstanding shares of common stock of the same insurer.

In 2010 Goldman Sachs was approached in conjunction with the Rothschild group, by the Hellenic Financial Stability Fund regarding the sale of the Proton and Hellenic Postbank. With the Hellenic Financial Stability Fund founded as a private legal entity in Greece in July of the same year (2010 / under Law 3864/2010).

Seeded by the European Financial Stability Facility a joint stock company incorporated in June of 2010, with a subscribed capital of 28 milllion Euros (the European Financial Stability Facility) divided into more than 2 billion shares valued at one Euro cent each.

On the 8th of October 2012 the European Stability Mechanism which was formed by the finance ministers of 17 European countries, and incorporated in €80bn of paid-in shares and €620bn in callable shares, began operations.

5 "Text of Draft Proposal for Bailout Plan." New York Times, September 20, 2008. Web: http://www.nytimes.com/2008/09/21/business/21draftcnd.html?_r=0.

Preceded the year prior (2011) by the replacement of Jean-Claude Trichet as the president of the European Central Bank by Mario Draghi a former CEO of Goldman Sachs International a limited liability company incorporated in England. Mario Draghi serves upon the board of directors of the Bank of International Settlements and is the president of the ECB at the time of writing.

Mark Carney a former executive director of Goldman Sachs also serves upon the board of directors of the Bank of International Settlements and is the Governor of the Bank of England as of the time of writing. On the 12th December 2012 the U.S. Treasury announced that it would be selling its remaining 234,169,156 shares of common stock, in AIG at $32.50 per share (a debt / equity swap) as an underwritten initial public offer, to recuperate the funds the U.S. Treasury required to bailout AIG.

In December, 2014, the U.S. Treasury sold its remaining holdings of Ally Financial, which was formerly known as the General Motors Acceptance Corporation.With the United States Securities and Exchange Commission which was formed in 1934, by the Securities Exchange Act, defining a market maker as: '*a firm that stands ready to buy and sell a particular stock, on a regular and continuous basis at a publicly quoted price*.'[6]

6 U.S. Securities and Exchange Commission. "Market Maker." Web: http://www.sec.gov/answers/mktmaker.htm.

'Senator Couzens: Did Goldman, Sachs and Company organize the Goldman Sachs Trading Corporation?

Mr. Sachs: Yes, sir.

Senator Couzens: And it sold its stock to the public?

Mr. Sachs: A portion of it. The firm invested originally in 10 per cent of the entire issue for the sum of $10,000,000.

Senator Couzens: And the other 90 per cent was sold to the public?

Mr. Sachs: Yes, sir.

Senator Couzens: At what prices?

Mr. Sachs: At 104. That is the old stock...the stock was split two for one.

Senator Couzens: And what is the price of the stock now?

Mr. Sachs: Approximately 1 ¾.[1]

1 Galbraith, John. The Great Crash, 1929. Boston: Houghton Mifflin, 1955.

'Isn't it time for fundamental change to our debt based monetary system, so we can free ourselves from the manipulation by the Federal Reserve and the banks? Is this the United States congress or the board of directors of Goldman Sachs?'

– Dennis Kucinich[1]

The London Stock Exchange

Preceded in the late 17th century by the act to *'restraine the Number and ill practice and Stock-Jobbers:'*

> *['From 1 May 1697 no Person to act as a Broker in London or Westminster, or Bills of Mortality, without Licence of the Lord Mayor of the City of London corporation;']*
>
> – Great Britain[1]

and the expulsions of traders from the Royal Exchange in Cornhill, London due to their rowdy behaviour. Towards the end of the 17th century in England, organised trading of stocks began to take place at the coffee houses populating 'Exchange Alley' in the district of Walbrook, old London; with Exchange Alley providing a convenient shortcut between the Royal Exchange in Cornhill and the Lombard Street Post office.

Further catalysed by the presence of John Caistaing, a trader of Dutch descent, who published share prices for the Bank of England and Dutch East India stock, and rates of exchange under the title the 'Course of the Exchange' every Tuesday and Friday, from his office situated at the coffee house of Jonathan Miles (in Exchange Alley).[2] *'It can be no coincidence that the packet boat from Harwich*

2 Neal, Larry. The Stock Markets of the Eighteenth Century in London and Amsterdam: How Efficient Were They?

to the Hook of Holland ran on Wednesdays and Saturdays,[3] with the stock exchange of Amsterdam created on the incorporation of the Dutch East India Company in 1602, for the purpose of assisting the trade of Dutch East India's debentures.

More than seventy years later in 1773, stockbrokers who had leased Johnathan's Coffee House located in 'Exchange Alley', old London, purchased new premises situated on the corner of Threadneedle Street and Sweetings Rents, to continue the trading of share certificates. Briefly known as 'New Johnathan's' until 15 July 1773, upon which date the name 'The Stock Exchange' was inscribed above the entrance to this establishment; a daily entrance fee was charged by the proprietors of this new building to traders, who wished to access the floor of the same premises. Twenty eight years later in 1801:

> *'the Proprietors of the Stock Exchange, at the solicitation of a very considerable number of the Gentlemen frequenting it, and with the unanimous concurrence of the Committee appointed for General Purposes... have resolved unanimously, that after 27 February next this House shall finally be shut as a Stock Exchange, and opened as a Subscription Room on Tuesday 3 March at ten guineas per Annum ending 1 March in each succeeding year.'*
>
> – The Stock Exchange[4]

On 4 March of the same year, it was decided by subscribers to the subscription room of the Stock Exchange:

> *'... that no proprietor of the Stock Exchange shall have the right to vote for the election of new Members or any regulation respecting the Stock Subscription room unless he be elected of the Committee by the Subscribers at large.'*

3 Inglis, Lucy. Georgian London into the Streets. Londres: Penguin Books, 2013.

4 Michie, Ranald C. The London Stock Exchange: A History. Oxford: Oxford University Press, 1999. 35.

– The Stock Exchange[5]

With new stock loans often made at the Stock Exchange, in the notes of credit supplied by the stock's issuer (the Bank of England, for example). In 1812, the first codification of the rules and regulations of the Stock Exchange was published from the recommendations of the Stock Exchanges committee for general purposes.[6] Establishing a private forum that makes and enforces its own rules (you'll laugh about it one day...); in 1854, the Stock Exchange of London was rebuilt to accommodate the growth of new subscribers (to the trading floor) – by 1868 the membership of the London Bankers Clearing House had been accepted.[7]

Closed from the 28 July 1914 to 4 January 1915, due to the beginning of World War I (the New York Stock exchange suspended it's trading of stocks from 31 July 1914 until 12 December 1914) bank notes of private banks were deemed as legal tender for new public debts during this period, to continue the trading of stocks. Closed for a total of six days during the period of World War II, and completing the construction of a new trading floor in the year of 1972; thirteen years later the Companies Act, 1985, was passed into law in England:

> *'Except in the cases mentioned below in this section, a body corporate cannot be a member of a company which is its holding company; and any allotment or transfer of shares in a company to its subsidiary is void.'*

5 Neal, L., and L. Davis. 'The Evolution of the Structure and Performance of the London Stock Exchange in the First Global Financial Market, 1812-1914.' European Review of Economic History 10, no. 3 (2006): 279-300. doi:10.1017/s1361491606001766.

6 Stock Exchange (London). Rules and Regulations Adopted by the Committee for General Purposes of the Stock Exchange. London: Stephen Couchman, 1812. 15-19.

7 Matthews, Philip W. The Bankers' Clearing House. London: Sir Isaac Pitman & Sons, 1921. 80-81.

– The Companies Act 1985[8]

In 1986, the London Stock Exchange deregulated the rules of its operations:

Ownership of member firms by an outside corporation is allowed.

- All firms become broker/dealers able to operate in a dual capacity.
- Minimum scales of commission were abolished.
- Individual members ceased to have voting rights.

– The London Stock Exchange[9]

Less than one year later, what has been referred to as the largest one day decline in stock-market history took place (October 1987).

Changing its board of directors in 1991, with people drawn from the Exchange's executive, customer and user base. And relocated in 2004 to new premises at Paternoster Square, and remaining within the area that is governed by the City of London corporation. (By being situated half a mile from the Bank of England and four hundred metres from St Paul's cathedral as of the time of writing.)

8 The Companies Act 1985, § 6-23. http://www.legislation.gov.uk/ukpga/1985/6/section/23/enacted.

9 Clark, Ephraim. 'Exhibit 20.1 Short History of the London Stock Exchange.' In International Finance, 550. 2nd ed. London: Chapman & Hall, 1993.

In 2005 the London Stock Exchange Group public limited company was incorporated in England, and acquired Borsa Italianain 2007; a commodities exchange created on the 16th of January, 1808, by the decree of Eugenio Napoleone in Milan, Italy. Five years later, (2012) the London Stock Exchange acquired 60% ownership of the LCH.Clearnet group, a European-based independent clearing house that serves major international exchanges (a financial clearing house provides clearing services for commercial transactions).

One of the oldest stock exchanges in the world, and located within the area governed by the City of London corporation (the square mile). The London Stock Exchange is listed as a partner exchange of the United Nations Sustainable Stock Exchanges initiative as of time of publication.

The Stock Exchange.

TOTAL AMOUNT OF DEBENTURES AUTHORISED—£750,000.

[Authorised by Special Resolution of the Proprietors, passed 24th April, 1896, and confirmed 8th May, 1896, sanctioning the creation of Debentures for £750,000, pursuant to Subsection *h.* of Clause 50 of the Deed of Settlement of The Stock Exchange.]

FIRST ISSUE—£325,000 3 Per Cent. DEBENTURES.

Nos.	1 to	200 of	£1,000 =	£200,000
Nos.	201 to	300 of	500 =	50,000
Nos.	301 to	1,050 of	100 =	75,000
				£325,000

DEBENTURE.

No. **£100.**

This Debenture entitles the Person to whom it is issued, and thereafter the Bearer for the time being, to payment, on the terms and conditions hereinafter mentioned, of the sum of **ONE HUNDRED POUNDS** with Interest at Three per cent. per annum, payable on the First days of January and July in each year.

The Trustees and Managers of The Stock Exchange (on behalf of the Undertaking and not so as to render themselves personally liable) hereby charge the Undertaking called "The Stock Exchange" with payment of the principal and interest hereby secured, but so that the charge hereby created shall constitute a floating security only on the property of the Undertaking for the time being, and that the existence thereof shall not in any manner hinder, or authorise any interference with, any sale, lease, or other disposition of or dealing with the said property, or authorise any interference with the management of the Undertaking.

Payment to the Bearer of this Debenture, or to the Bearer of any Coupon of the sum therein expressed to be payable, shall be a good discharge against all persons whomsoever.

The Undertaking is bound to pay to the Bearer the capital sum of **ONE HUNDRED POUNDS** on the First day of January, 1939, unless previously paid

The London Bankers Clearing House

Suggested as having originated in approximately 1770, through bank walk clerks from the city of London and West End banks, who met at the Five Bells Tavern in Lombard Street in London, at noon each working day to exchange checks presented to their respective bank (for withdrawal).

Meant (means) that if the sum total of all checks (cheques) drawn by Bank A's customers in favour of Bank B's customers, was £1,000 pounds worth of transactions for the day concerned, and if the sum total of all checks (cheques) drawn by Bank B's customers in favour of Bank A's customers was a total of £900 for the same period; only £100 of coin (cash) was then required to be forwarded from Bank A to Bank B, leaving the remaining transactions to and from each customers account, to be settled by each bank in house.

Eliminating the risk of a further £1,800 pounds of coin being stolen during what would have required two deliveries, between a pair of banks, through the use of peer to peer check clearing, as opposed to using the services of a central counter party instead. Bank clearing refers to the process taken from the time a bill of exchange (a check for example) is given to a seller of a good or service, until the time the same bill of exchange is presented to the withholding bank (reconciled), and then received from the withholding bank, and then deposited into the recipients account.

Followed in the year of 1821 by the voluntary formation of the Committee of London Clearing Bankers, the first purpose built premises Governed by the same committee (Committee of London Clearing Bankers), was constructed by Sir John Key at 10 Lombard Street in London in the year of 1833; to provide banks within the

area (the square mile) the opportunity to have each days checks presented to them for withdrawal, reconciled by an 'independent supervisory body' against the checks presented by other member banks, for the same period also (check clearing).

Now able to borrow from another member bank of the London Bankers Clearing House to maintain reserves of check deposits, if that banks check deposits was exceeded by that days withdrawals (if the bank being borrowed from was owed upon balance for the same days check clearings). By then employing a bank reserve of 10% for example, £1,710 of £1,900 in demand deposits can then be loaned to the public at interest (£1,900 x 10% = £190 held in reserve), which increases the amount of price inflation throughout the country's economy by £1,710 worth of additional demand for goods (from £1,710 of loans once borrowed into being) – once spent £1,710 of new demand deposits can then be made with a reserve of 10%, which expands £1,900 in bank notes to £3,610 in money.

Joined in the same year (1833) by a new act passed into law by the government of England:

> *'... for giving to the corporation of the Governor and company of the Bank Of England, certain privileges for a limited period under certain conditions...'*
>
> – Great Britain[1]

On the 28th of August a proceeding act was passed into law in England, that affirmed the legality of joint stocks,2 (joint stocks pertains to the issue of common shares and preferential shares by the same company, to raise capital from company ownership). In 1834 the premises built at 10 Lombard Street was purchased freehold through subscriptions paid by 39 joint stock banks, that

2 "LXXXIII." In The Statutes: Revised Edition. Vol. 7. London: George Edward Eyre & William Spottiswoode, 1875. 545.

included Barclays bank, Lloyd's bank and Glyn, Williams and co which is now part of The Royal Bank of Scotland.

By 1864, the membership of the Bank of England had been accepted to the London Bankers Clearing House, as the country's reserve bank *is* the sole issuer of the country's bank notes. Which allows for the balance sheet operations of each such bank to be supervised by the country's central bank itself. (Please see Open Market Operations – page 42).

By 1868 the membership of the London Stock Exchange had been accepted to the London Bankers Clearing House, to allow for the clearing of securities, which means that if joint stock company A had sold $1,000 of financial instruments (securities) to joint stock company B, and joint stock company B had sold $900 of financial instruments to joint stock company A within the same period; only $100 in cash is then required to settle the same transaction, as the purpose of a stock clearing house is to clear the exchange of intangible assets – *not* monies.

Followed more than thirty years later in 1902 by the formation of the Bankers Clearing House Limited – and the vesting of the management of this establishment in the committee of London Clearing Bankers; in 1919 the British Bankers Association was formed as a result of the merger of the Central Association of Bankers and the association of English Country Bankers; the Country Bankers association and the West End Banks; the Scotch and Irish banks and the Overseas banks with these same banks being brought into close touch with each other due to the distracting problems that were continually presenting themselves during the period of World War I.

Creating a trade association that promotes legislative and regulatory systems for banking and financial services in the United Kingdom (the British Bankers Association) that takes into account the best interest of its members, and given access to the machinery

created by the Committee of London Clearing Bankers upon its formation, by the Treasury of the British government (for making the British Treasury's wishes known to the banking community).[3]

More than 60 years later in 1985, the *Committee of London Clearing Bankers* was reorganized and renamed as the Committee of London and Scottish Bankers, and then subsumed into the *British Bankers' Association* in the year of 1991.

Responsible for the administration of the London Interbank Offered Rate (the British Bankers Association – LIBOR) before this responsibility was transferred to the Intercontinental Exchange, itself *'a network of exchanges and clearing houses for financial and commodity markets;'* the British Bankers Association represents two hundred members from fifty countries around the world, as of the time of writing.[4]

3 Matthews, Phillip W. "The Origin of the Clearing House." In The Bankers' Clearing House, 16-17. London: Sir Issac Pitman & Sons, 1921.

4 "The BBA | The Voice of Banking." Web: https://www.bba.org.uk/.

Securities Underwriting

A securities underwriter purchases the stock of private company or Government stock (government treasuries), in the former instance for selling at initial public offer upon which the price is then limited to floating (a stock exchange).

Leaving the underwritten company or government in question with $100,000,000 in capital for example (please see chapter Goldman Sachs), securities underwriting is also known as the primary market. Common shares are frequently issued by securities underwriters.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

This Certifies that

N 98896 W001626

Common Stock

See reverse for certain definitions

CUSIP 590188 10 8

is the owner of **One Hundred**

fully paid and nonassessable shares of Common Stock, par value $1.33⅓ per share, of Merrill Lynch, Pierce, Fenner & Smith Incorporated transferable upon the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this certificate properly endorsed.

This certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

DEC 14 1973

THE NAME OF THIS COMPANY IS MERRILL LYNCH & CO., INC.

Secretary

Chairman of the Board

Registered:
Registrar: Manufacturers Hanover Trust Company
(New York)
Authorized Officer

Countersigned:
Transfer Agent: First National City Bank
Authorized Officer

Incorporated under the laws of the
This certificate is transferable in t
Chicago or San Francisco.

Open Market Operations

central bank reserves

As any central bank of any country, is its host country's lender of last resort – all central banks conduct open market operations by purchasing financial assets from the open market (government treasuries for example). Member banks of the country's central bank then borrow the same as reserves, from the country's central bank at the country's central banks official rate of interest, and then loan their reserves in cash, to the general public through the credit multiplier of fractional reserve lending.

'When you or I write a check, there must be sufficient funds in our account to cover the check; but when the Federal Reserve writes a check, there is no bank deposit on which that check is drawn. When the Federal Reserve writes a check, it is creating money.'

The Federal Reserve – 'Putting it Simply'.[1]

Fractional Reserve Banking

As the minimum capital requirement (minimum bank reserve) for all reserve banks, who meet the tier 1 requirements of the Basel Accord (the Basel Committee - the Bank of International Settlements), is a Tier 1 capital ratio of 6% as of the time of writing.

Using a bank reserve of 10% for the sake of simplicity, and for every $1,000 worth of demand deposits a bank holds an additional $9,000 worth of new loans and re-deposits can then be created from the $1,000 worth of bank reserves that was started with.

Meaning that for every $1,000 in demand deposits held with the countries banks, once an initial $900 worth of bank loans can then be made; for every $900 of demand deposits loaned after being borrowed at interest from a bank, once spent $900 can then be deposited, with the same or another bank as a demand or term deposit.

Once 10% of the same $900 has been held in reserve with the countries central bank, a further $810 worth of bank credit, can then be been borrowed into existence. Further inflating the countries total money supply and maintaining $1,000 worth of reserves held with the sole issuer of the countries bank notes (the countries central bank).

If more than 10% of the banks customers try to withdraw their demand deposits from the same bank at the same time, a run on the same bank ensues and the lender of last resort may be required to intervene.

A $100 bill of credit to be re-paid with interest

The International Monetary Fund

Formed at the United Nations Monetary and Financial Conference held at the Mount Washington hotel, Bretton Woods, New Hampshire from 1st to 22nd of July 1944,[1] and holding $346,625 million in foreign currency reserves as of December 2015:

> *'The Fund, its property and its assets, wherever located and by whomsoever held, shall enjoy immunity from every form of judicial process except to the extent that it expressly waives its immunity for the purpose of any proceedings or by the terms of any contract.*"
>
> — Articles of Agreement, International Monetary Fund[2]

Creating its own unit of account in the year of 1969 (special drawing rights), to centralize financial relations between countries; a special drawing right is designed to act as a foreign currency reserve, with foreign currency reserves typically held in the form of the most popular issues of Government treasuries by country of issuance (U.S. treasuries for example).

Representing claim to currency held by member countries and initially defined as being worth 0.888671 grams of gold (one special drawing right), a special drawing right can be used by a member country of the IMF to settle the balance of an international

1 International Monetary Fund. "Articles of Agreement of the International Monetary Fund." 1. doi:10.1016/b978-1-85573-512-5.50012-8.

account in matters of trade between another country that is also a member of the IMF. Comprised of original members and ordinary members the IMF),[3] and lending special drawing rights at interest from its reserves; and dealing in the exchange of Government securities (Government treasuries) in its position as a lender of last resort (a central bank). And sharing nearly 150 member countries in common with the World Trade organization as of time of writing:

> *'The Fund, its assets, property, income, and its operations and transactions authorized by this Agreement shall be immune from all taxation and from all customs duties. The Fund shall also be immune from liability for the collection or payment of any tax or duty.'*
>
> — Articles of Agreement, International Monetary Fund[4]

3 "Articles of Agreement: International Monetary Fund." International Law & World Order, 1944, 2. Web: https://fraser.stlouisfed.org/docs/historical/martin/17_07_19440701.pdf.

The B.I.S.

The Bank for International Settlements

Formed in 1930 to facilitate reparations imposed on Germany by the Treaty of Versailles, and credited as having been founded by Montagu Norman, Governor of the Bank of England from 1920 to 1944, and Hjalmar Schacht, President of Germany's Reichsbank from 1933 to 1939:

> *'... The Powers signatory to the Hague Agreement of January, 1930, have adopted a Plan which contemplates the founding by the central banks of Belgium, France, Germany, Great Britain, Italy and Japan and by a financial institution of the United States of America of an International Bank to be called the Bank for International Settlements;'*
>
> *'...the said central banks and a banking group including Messrs. J. P. Morgan & Company of New York, the First National Bank of New York, and the First National Bank of Chicago, have undertaken to found the said Bank and have guaranteed or arranged for the guarantee of the subscription of its authorised capital amounting to five hundred million Swiss francs equal to 145,161,290.32 grammes of fine gold, divided into 200,000 shares.'*
>
> – The Hague Agreement, 1930[1]

Nine years after its formation and five days after the German army's invasion and subsequent occupation of Czechoslovakia,

which began on 16 March 1939, a request was received by the Bank of England from the Bank for International Settlements to transfer £5.6 million of gold, from its no. 2 account presumed by the Bank of England to be the Czech National Bank, to the no 17 account of the B.I.S., presumed by the Bank of England to be a German Reichsbank.[2]

Adjoined four months later on the 1st of June 1939, by the sale of £420,000 of gold from the no.19 account of the Bank of International Settlements, which was then shipped to New York after being moved to London. Directors of the Bank for International settlements board from the years of 1939 to 1944 included Walther Funk, the official German Reich Minister for Economic Affairs; Emil Puhl, the director of Germany's Reichbank (Germany's central bank); Hermann Schmitz, the CEO of IG Farben; and Montagu Norman the governor of the Bank of England.[3,4]

Joined by the appointment of Thomas McKittrick a former director of Lee, Higginson & Co (an investment bank in the United States), as the President of Bank for International Settlements in the year of 1939. Two years prior to Thomas Mcittrick's departure from the B.I.S., for the position of vice president of Chase National Bank in New York, the United Nations Monetary and Financial Conference from the 1st to 22nd of July, 1944 was held at the Mount Washington Hotel, in Bretton Woods, New Hampshire, in the United States (the Bretton Woods agreements).

2 The Bank of England. 'IX.' In Unpublished War History (1939-45), 1293.

3 'Bank For International Settlements.' Ninth Annual Report (1939): 135. Web: https://www.bis.org/publ/arpdf/archive/ar1939_en.pdf

4 'Bank For International Settlements.' Fourteenth Annual Report (1944): 317. Web: https://www.bis.org/publ/arpdf/archive/ar1944_en.pdf

Host to allegations put forth by the Norwegian delegation present at these meetings, that the Bank for International Settlements had been helping the German Government loot assets (gold) from occupied countries. A recommendation was then put forth at Bretton Woods, to liquidate the Bank for International Settlements at the earliest possible opportunity.

Followed less than seven years later in 1950, by the establishment of the European Payments Union (the EPU), and the European Payments Unions decision to select the Bank for International Settlements as its agent for settling transactions between its member countries. The European Payments Union was replaced in 1959, by the European Monetary Agreement, 'to provide for the balance of multilateral payments to be paid in gold or dollars by each country'.[5]

Followed in 1964 by the European Economic Councils decision, to form the Committee of the Governors of the Central Banks, of the Member States of the European Economic Community ('Committee of Governors'),[6] the decision was then made by the governors of these same European central banks to meet at the Bank for International Settlement's location in Basel Switzerland, as they were already meeting there regularly for the Bank for International Settlement's board meetings.

Proceeded ten years later (1974) by the central bank governors of the G10 nations, forming the Basel Committee (the Committee on Banking Regulations and Supervisory Practices) to serve as a forum for regular cooperation among its member countries on banking supervisory matters.[7] The Basel Committee also works closely with the International Monetary Fund (the IMF) and the World Bank;

5 Furth, J. Herbert. European Monetary Agreement. Paris, 1955. Web: http://www.federalreserve.gov/pubs/rfd/1955/259/rfd259.pdf.

6 European Economic Community. 'Rules of Procedure of the Committee of Governors of the Central Banks of the European Economic Community.'

7 Bank For International Settlements. 'Basel Committee on Banking Supervision.' A Brief History of the Basel Committee (2014): 1-10. Web: http://www.bis.org/bcbs/history.pdf.

both of which were formed at the United Nations Monetary and Financial Conference at Bretton Woods.

Having a basic equity of 6% of its total paid up ‘capital’ as of the time of writing, the Governors of the central banks of the G7 nations, form the directorate of the Bank for International Settlements itself, and meet bimonthly, at the BIS at it’s location in Switzerland. (Sixty central banks are listed as members of the Bank for International Settlements as of publication.)

Derivatives

As financial products that derive their valuation from the performance of an *underlying* asset, a derivative is the trading of the price not the delivery of a physical good; with derivatives including the trading of *the price* of gold and oil:

> *'with combined turnover in listed interest rate, currency and stock index derivatives rising by 27% to $681 trillion U.S. between July and September of 2007.'*
>
> – The Bank for International Settlements[1]

With gross domestic product across 177 countries in the estimation of the World Bank, as of December, 2013, inclusive of the gross domestic product of the countries of United States and China (the world's two largest economy's at the time writing), standing at over $75 trillion dollars measured in the currency of the United States (the Federal Reserve Note);[2] $693 trillion U.S. worth of derivatives were traded over the counter (off exchange) as of that same year in the estimation of the Bank of International Settlements.[3]

2 World Bank. "Gross Domestic Product." World Development Indicators Database, 2014, 1. doi:10.1787/mei-v2014-2-table103-en.

3 Bank for International Settlements. OTC Derivatives Statistics at End-June 2013. Bank for International Settlements, 2014. http://www.bis.org/publ/otc_hy1311.pdf.

Repaying further investors with nothing more than the income derived through the sale of more of these 'investments', and therefore requiring an unlimited number of customers to be the security for these contracts plus returns, derivatives are secured by nothing more than the allure of ever increasing prices, and therefore an unlimited supply of bank notes to be available to the country's banking system.

The Offical Cash Rate

A central banks rate of interest is it's primary tool for implementing monetary policy within the country where it resides ('controlling' inflation). When the country's central bank decreases its rate of interest, wholesale and retail banks respond by lowering their rate(s) of interest. Borrowing of money is now encouraged, to stimulate consumer demand during times of recession.

Increasing its purchases of reserve assets from the open market to increase the country's monetary base (Open Market Operations), the country's central bank – which is the country's reserve bank – then loans its increase of reserve assets to its member banks, to be loaned again through the credit multiplier of fractional reserve banking.

Raising the level of inflation throughout the economy – since this newly created credit is printed into existence – the country's total money supply then begins to exceed the total amount of commodities available for sale throughout the country.

The buying power of the country's total money supply in now devalued and the country's central bank now raises its official rate of interest to discourage the borrowing of money. Businesses that have expanded due to the increase in consumer spending (the country's central bank lowering it's rate of interest) now experience recession. The boom bust cycle.

Inflation Tax

As inflation lowers the buying power of the nations work and savings, taxes are applied to investment gains plus inflation in any country that has a central bank. Meaning, that if a $1,000 deposit held with any bank at a 4% return per annum, was met by an annual inflation rate of 'only' 3%; this investment will not yield a return of $40.00 but an overall return of $10.00 instead, once the 3% reduction in the buying power of the same investment is taken into account (3% of inflation from $1,000 = $970 + $40 return = $1,010).

And if the rate of tax owing to the government on this investment was 15% of the $40.00 return ($1,000 worth of savings held with a bank at a 4% return per annum), without taking into account the additional tax of inflation if present, the amount of tax payable to the country's government would be a total of $6.00 (15% of $40).

Leaving a return of $34.00 before the 3% deduction of inflation is taken into account, upon deducting 3% of price inflation $4.00 is the total return left remaining; as 3% of price inflation upon a bank deposit of $1,000 is a total of $30.00 – and is deducted before the payment of tax(s) to the Government. (($40.00 return - $6.00 Government tax = $34.00) - $30.00 inflation tax = $4.00)).

And as the amount of tax payable to the Government in this example, was not charged at a rate of 30% instead, the overall return in this instance was a gain of $4.00, and not an overall loss of -$2.00 instead (($40.00 return less $12.00 Government tax = $28.00) less $30.00 inflation tax = a 'return' of -$2.00).

And I sincerely believe, with you, that banking establishments are more dangerous than standing armies; and that the principle of spending money to be paid by posterity, under the name of funding, is but swindling futurity on a large scale.

– Thomas Jefferson[1]

For government treasuries are finance for war.

Thanks

Dr. Ron Paul & Dennis Kucinich | For their many years of vigilance in helping people *across the world* including myself, understand just how dangerous fiat money really is to our society. (**We** *the people.*)

Money, Banking and the Federal Reserve | In particular to Lew Rockwell for stating *'that it's really no different from a burglar in your house wanting to steal your money, that's what the Federal Reserve does.'*[1]

The American Dream | Tad Lumpkin & Harold Uhl. Whose genius is reflected in the simplicity of this half hour animated movie.[2]

The Exponential Function | Dr. Chris Martenson & Dr. Albert Bartlett. For explaining the power and destruction that compounding (exponential) forces can bring.

Judge Andrew Napolitano | For repeatedly stating *'that is unconstitutional.'*

Yes, Prime Minister | 'Power to the People'.[3]

1 The Mises Institute. "Money, Banking and the Federal Reserve." YouTube. February 22, 2006. Web: https://www.youtube.com/watch?v=iYZM58dulPE.

2 Uhl, Harold, and Tad Lumpkin. "The American Dream Film." Web: http://www.theamericandreamfilm.com/.

3 "Power to the People." Yes, Prime Minister. British Broadcasting Corporation. BBC, 9 Jan. 1986. Television.